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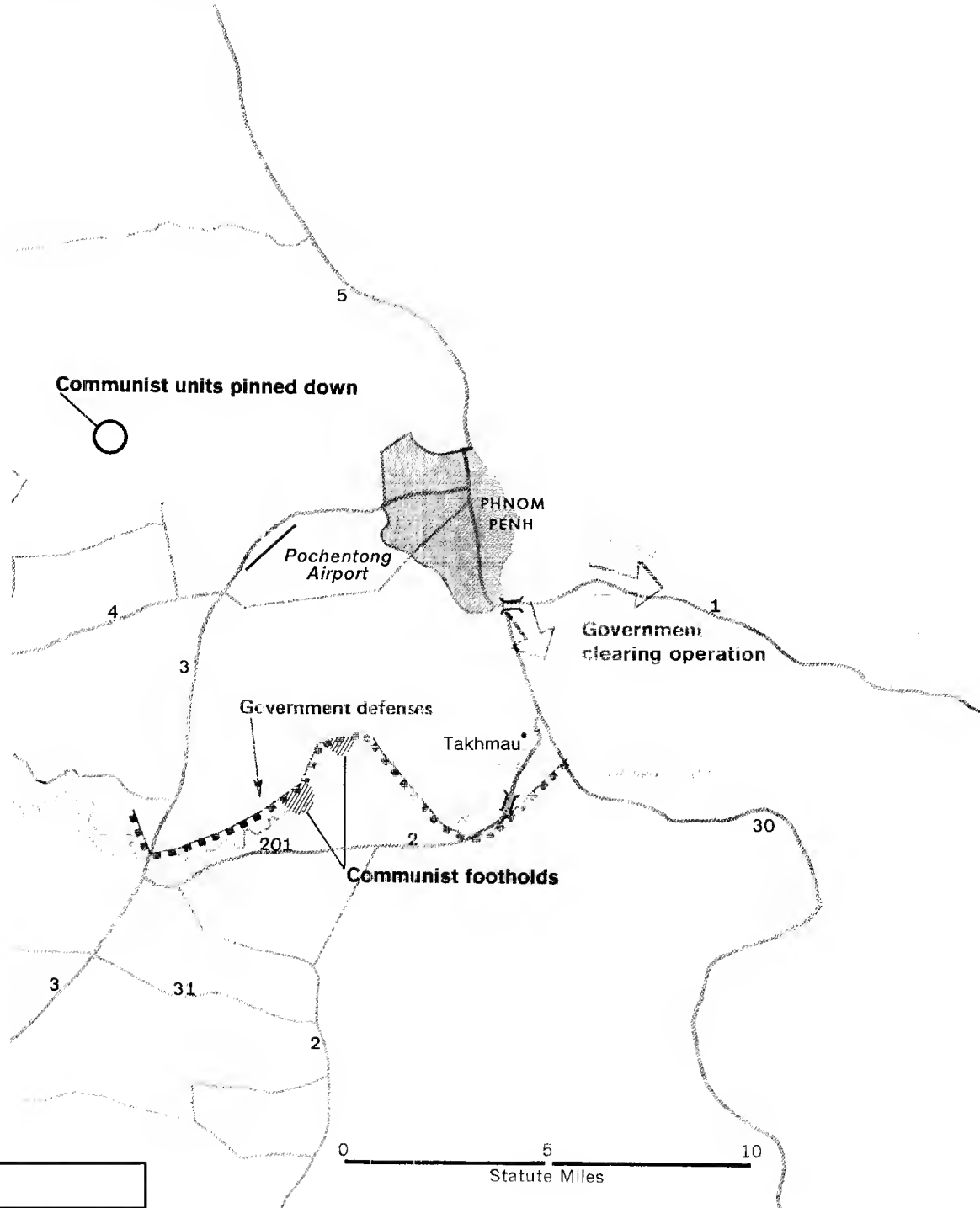
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Phnom Penh



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CAMBODIA: [The Khmer Communists have resumed their shelling of Phnom Penh after a four-day interlude. About 70 howitzer rounds hit the southern and southwestern areas of the capital before dawn today, killing at least 16 persons and wounding another 38. [

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Little significant ground combat has occurred this week in the south. Government troops have bottled up the few small Communist elements on the north bank of the Prek Thnaot River, while the Communists have contained cautious government advances on the south bank. [

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The lull in the south has enabled the Cambodian Army to deploy reinforcements to counter increased Communist activity along Route 1 and the Bassac River southeast of Phnom Penh. Small Communist units raided villages along Route 1 within three miles of the capital earlier this week, and insurgent mortar crews are shelling the southern suburbs of Takhmau from the Bassac's east bank.

To the northwest, concentrated government artillery barrages are keeping a Communist force pinned down in an area five miles from the capital's Pochentong airport. [

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SINGAPORE: Singapore probably views the terrorist attack on one of its oil facilities on January 31 as a consequence of its relations with Israel. The four men involved in the incident are believed to include one Arab and three members of the radical Japanese Red Army, which has carried out terrorist acts elsewhere in support of the Palestinian cause.

For the past eight years Singapore has employed Israeli advisers in developing its armed forces. This program is nearing completion, and the Singapore Government briefly considered dismissing the 15 remaining Israelis. It decided against this step, however, feeling that it would be an unnecessary gesture in view of the fact that the Arabs have not made an issue of the Israeli training arrangement.

Singapore, nevertheless, is concerned that its Israeli ties could become a liability in the energy crisis. The bulk of the crude oil refined in Singapore comes from the Persian Gulf, and any disruption in its extensive refinery and ship bunkering operations would be a serious economic blow.

Singapore's vulnerability to Arab pressure on oil has prompted it to try to improve its image in the Arab world. It joined its partners in the Association of Southeast Asian Nations in deploring Israeli occupation of Arab territory. Foreign Minister Rajaratnam is currently on a goodwill tour of the Middle East. Singapore's offer of safe passage out of the country to the four terrorists also reflects a desire to avoid antagonizing the Arabs.

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ARAB FINANCIAL ACTIVITY: Large amounts of Arab oil money, primarily private funds from Saudi Arabia and Kuwait, are being channeled into Beirut. Deposits in Beirut banks are now the equivalent of almost \$2.8 billion, up from \$2 billion at the end of 1972. Most of these funds are invested in short-term loans financing trade throughout the Middle East. This influx of oil money has created a problem for the local banks because they have not been able to find enough ways to re-invest the funds. If the banks can play a more active role in financing economic development with medium- and long-term credit, the flow of funds into Beirut will probably increase. This could also remove some pressure on the European markets by reducing demand for investment funds there.

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ABU DHABI: The Abu Dhabi Fund for Arab Economic Development has approved eight loans totaling more than \$22.5 million to five Arab countries. Recipients will be Jordan, Syria, Egypt, Tunisia, and Yemen (Sana). Although the Fund was created early in 1972, it has been relatively inactive. The decision to accelerate loan activities reflects Abu Dhabi's desire to regularize its program of financial assistance to other Islamic states at a time when oil revenues are up sharply. The fund, however, still is a long way from becoming an important and effective channel for aid funds. [REDACTED]

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JAPAN-USSR: Japan and the Soviet Union hope to begin exploratory work on the joint US-Japan-USSR Yakutsk natural gas project later this year. Exploration, however, will not begin without US participation, which is contingent on US Export-Import Bank credits to the Soviet Union. A decision on these credits probably will be made within the next six months.

The Soviets have requested \$150 million in low-interest credits from the US and Japan to finance the exploration. Recent preliminary surveys indicate that three to five years of exploration would be required before development could begin. The entire project would require some \$3.5 billion in combined US and Japanese credits to the Soviet Union.

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GRENADA: Opposing forces in Grenada may be backing away from an open fight, but the threat of violence remains. Premier Eric Gairy and the opposition have accepted an offer of mediation by the Caribbean Council of Churches.

A mediation team was due to arrive yesterday. The moderate opposition wants to avoid further violence and is reported ready to drop its demand that Gairy resign if he agrees to disband the secret police. There are indications that, if the mediation effort fails, the radicals plan to renew their efforts to unseat Gairy.

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Gairy has indicated that he will not insist that opposition-inspired strikes be ended before the talks begin, but in the meantime, he is arming his supporters.

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FOR THE RECORD*

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Warsaw Pact: Defense ministers of the Warsaw Pact will meet in Bucharest next week for several days to approve the Pact's training program for 1974, according to an East European diplomat. They also will likely discuss some specific aspect of the Pact's military posture. Past meetings have focused on such topics as upgrading communications systems and improving transportation capabilities. Top-ranking personnel from the Warsaw Pact's joint command will probably attend. [REDACTED]

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Bolivia: Tin miners began a 48-hour strike yesterday morning to protest food shortages and demonstrate solidarity with disgruntled farmworkers who clashed with government troops earlier in the week. The peasants may be regrouping for renewed demonstrations. Simultaneous trouble in the mining and agricultural areas could severely test the regime's ability to maintain order. [REDACTED]

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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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